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## Movie Director Pleads Guilty to Massachusetts Film Tax Credit Fraud

by Neil Downing

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A movie director is to be sentenced to prison next month for orchestrating a \$4.7 million swindle involving the Massachusetts film tax credit.

Daniel Adams pleaded guilty on April 19 in Suffolk Superior Court, Boston, to charges that included larceny, filing a false document with the Department of Revenue, and procuring the preparation of a false tax return.

Associate Justice Carol Ball said that she will sentence Adams on May 10 to serve two to three years in state prison and 10 years' probation upon his release. She said she will also order him to pay the state about \$4.38 million in restitution, according to a statement issued April 19 by Attorney General Martha Coakley (D).

Coakley had alleged that Adams overstated expenses -- including the amount paid to actor Richard Dreyfuss -- to inflate the amount of Adams's credits, resulting in an overpayment of more than \$4 million in taxpayer funds.

Adams, 51, was arrested by state police on December 8, 2011, and arraigned the next day in Boston Municipal Court.

"We allege that this defendant knowingly defrauded taxpayers by lying about his production costs with the purpose of generating funding for his films and his own personal profit," Coakley said at the time. The case against Adams represented "an important step to ensure that the film tax credit is awarded appropriately while encouraging legitimate productions to be filmed here in Massachusetts," she said.

At issue are expenses involving two romantic comedies, both filmed on Cape Cod, for which Adams was both writer and director: *The Golden Boys*, starring Bruce Dern, David Carradine, Rip Torn, and Mariel Hemingway; and *The Lightkeepers*, which starred Dreyfuss, Dern, and Blythe Danner.

The investigation began in March 2010 when a DOR investigator spotted suspicious tax returns connected to *The Lightkeepers*, according to Coakley. Investigators said that numerous items listed as expenditures were fictitious -- including an alleged payment of \$2.5 million to Dreyfuss, who was actually paid \$400,000, Coakley said. As a result, prosecutors said that Adams received an overpayment of more than \$3.6 million in film tax credits.

Adams also filed documents with the DOR overstating eligible costs for *The Golden Boys*, resulting in a film tax credit overpayment of \$1.1 million, Coakley said.

Massachusetts law allows tax breaks to encourage the in-state production of movies and TV shows. Among the incentives is a tax credit equal to 25 percent of the total payroll that constitutes Massachusetts-source income, and a credit equal to 25 percent of all related nonpayroll Massachusetts production expenses.

Once issued, film tax credits may be transferred, sold, or assigned to other taxpayers who have Massachusetts income tax, corporate tax, or other business excise tax liabilities.

A state commission is currently in the process of making recommendations for examining tax expenditures, including the state's film tax credit.

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